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SENT BY FACSIMILE

June 21, 1989

N. B. Cannar, Esq.
British-American Tobacco Company Ltd.
Westminster House
7 Millbank
London SW1P 3JE England

Re: BARCLAY

Dear Nick:

Thank you for your telefax of yesterday's date.

I want to confirm hereby what you have been told already which is that our Swiss affiliate, Fabriques de Tabac Reunies S.A., does not intend to pursue its claim for damages in the pending legal action in Geneva involving BARCLAY and intends to take steps to inform the Geneva court accordingly before the case is finally given to the Geneva court for judgment. As you say in your letter, both BAT and Philip Morris have been seeking for a number of months now to resolve this dispute and, indeed, good progress has been made. It is our view as well that we do not wish to lose the benefit of this progress.

I would like to take this opportunity also to note the efforts which have been exercised by representatives of your company and our group working under the mandate given to them by CORESTA to develop and recommend to CORESTA a scientifically acceptable method for testing channel ventilated cigarettes. We hope and expect that those efforts will continue and, in particular, that at the meeting scheduled to take place this Thursday, June 22, 1989, at Millbank, the new testing methodology which has been developed as a result of the joint efforts will be

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reported and recommended to CORESTA by representatives of your company. You have indicated that it is your intention for your representatives to act in this fashion and for your company to continue to support actively and speedily the new testing method with CORESTA, the International Standards Organization and with national authorities worldwide, and to abide by the new testing methodology in presenting and labeling your channel ventilated products.

Yours sincerely,

Dwight D. Smith

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